

# How Business Values Determine Lack Of Innovation & ‘Petty Entrepreneurship’: The Case Of Turkey

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## Abstract

*The role of innovation in capitalist development has long been identified. For late industrializing countries, it is indispensable for achieving sustained economic growth. Turkey, as a late industrializer, has also faced serious difficulties in this regard. This paper demonstrates the significance of cultural values internalized by individuals for innovation and business attitudes. In a structure-agency setting, it argues that not only regulation through institutions and social norms but also the way economic agents comprehend ‘modern’ values determine the scope of business attitude that permeates economy and society. In the Turkish context, the blend of modern (rationalistic) values with traditional ones creates a dilemma between social commitment and blatant opportunism, in time leading to the dominance of short-term profit making in the economy at the expense of societal rules and norms. By conducting linear regression analyses over a sample of 150 executive, middle and owner managers, the article demonstrates how cultural values affect innovativeness. In so doing, it unveils the relations between personality traits underlying the adoption of innovations and different cultural value characteristics.*

## 1. Introduction

According to many, the process of innovation is the main engine of sustainable economic growth. However, the potential to create new products, processes, markets or organizations are path-dependent in the sense that there are certain nations and localities, which seemed to have acquired that capability over time. For innovation relies upon the accumulation and development of relevant knowledge of a wide variety (Dicken, 1998, p.172), which seem to co-evolve with a certain type of culture. This brings a pronounced geography of knowledge creation and a strong geographical localization of innovative activity’ (Metcalfe and Diliso, 1996).

Within the organization, management of the innovation process is an extremely demanding discipline (see Kanter, 1997; Dougherty and Hardy, 1996). For converting a basic discovery into a commercial product, process or service is a long-term, high-risk, complex, interactive and non-linear sequence. New ideas can arise in the chain of innovation, e.g. during marketing or production, leading to a major change in the innovation process. Thus, the capability of organizations in initiating and sustaining innovation is to a great extent determined by the wider environmental context within which they operate. This is essentially why ‘innovation within’ requires a favorable ‘context outside’. That is, the economic conditions and social and cultural values will play a major role whether the organizations or corporate actors will in fact take the risk and establish the longer-term vision that innovation is key to competitiveness, survival and sustained growth.

The nationality of innovation has already been a widely accepted characteristic of the capitalist development process (Dicken, 1998; Freeman and Soete, 1997; Nelson, 1993 and 2000; Scherer 1999). So far, this perspective is brought down to the level of the region and district levels (Malmberg and Maskell, 1997; Storper,

*Readers with comments or questions are encouraged to contact the authors via email.*

1995). In that respect, both tangible and intangible features, including, on the one hand, economic, social and political institutions, and, on the other, the way in which knowledge evolves over time through developing interactions and networks in a specific context are explored and underlined, as outlined by Alfred Marshall: '[t]he secrets of Industry [are] in the air'.<sup>1</sup>

However, the literature on the subject has focused more on macro levels of analysis and work on the cultural bases of innovation has lacked depth. In particular, individual differences in cultural values are overlooked in such analyses. This paper aims to demonstrate that entrepreneurship leading to innovation has certain cultural dimensions. Considering that, this study aims to propose a way of incorporating social and individual values into the analysis of innovation and chart individual differences. In so doing, this paper focuses on potential value differences among individuals in respect to their approach to modern values and to business and innovation. It is the main argument of this paper that the extent to which 'modern' values are internalized by individuals affect innovation and business attitudes.

## 2. Economic Development & Social Values

The association between industrial development and core values has been the subject of many studies since the foundation of social sciences. Two prominent social theories where most of the discussion around the subject revolves are the *Gemeinschaft-Gessellschaft* theory of Ferdinand Tönnies (1887; see also Parsons and Smelser, 1964) and the *mechanical versus organic solidarity* theory of Emile Durkheim (1893). Although approaching from different angles, such taxonomies have a lot in common, and their distinctions are still in use for the characterization of societies according to their level of industrial development. This classification is still used to comprehend the structural bases of social solidarity, work, exchange and technology of different societies.

The social structures of traditional societies with low levels of industrial development are classified as *Gemeinschaft* (Community) by Tönnies and *Mechanical Solidarity* by Durkheim.

- Social order is based on similarities among people and face-to-face, everyday expressive experiences of fellowship, kinship and immediate community.
- Pressures to conform and sense of identity is grounded in acceptance by the immediate community. Social monitoring is implemented by informal consensus through mores, traditions and religion.
- Division of labor is low. People are not differentiated economically or technologically. Solidarity and emotional ties, rather than assertiveness and competition, are the basic attitudes determining the members of the society. Emotional, intuitive thinking is primary.
- Informal social controls and sanctions are strong and repressive in that they seek punishment for non-conformity and discourage individual action, innovation and risk.
- Wealth is based on land and the landowner is considered as the patron who guards the land for the community rather than being an individual proprietor. Wealth brings obligation to the society ('*noblesse oblige*').

The social structure of modern societies with advanced levels of industrial development are classified as *Gessellschaft* (Society) by Tönnies and *Organic Solidarity* by Durkheim.

- Social order is reproduced (retained) through contracts established by conventions, legislation and public political opinion.
- Social cohesion results from interdependence arising out of the exchange relationship of necessary and specialized goods and services.

<sup>1</sup> Marshall mainly referred to the institutional set-up, the relationship between the entrepreneurs and financiers, the perceptiveness of the society of new developments, the openness to science and technology, growing networks between scientific and academic communities and business circles as well as the productive forces and financial institutions, the growing liberal-individualist economic paradigm, and to the role played by the state in accommodating and promoting capitalistic changes and preparing the framework for the development of capitalism.

- Division of labor is high. People are differentiated economically and technologically. Assertiveness and competition are the basic attitudes of the members of such society. Rational calculation is primary to emotional solidarity.
- Mutual interdependence (division of labor & rationally planned exchanges) replaces the need to seek conformity as a basis of social order. Individual values (i.e. sense of self-worth and belonging) are 'liberated' to seek individual attainment and actualization through differentiation, specialization and exchanges driven by self-interest, all of which support innovation and risk-taking.
- Wealth is signified by money, an impersonal, standardized and formally recognized medium of exchange. It is disembodied from its social significations and becomes a symbol *per se*, implying that the wealth-owner has no obligations to the society.

Weber (in the *Protestant Ethic and Modernization*) used a similar categorization to classify the societies according to their level of industrial development. However, he put a special emphasis on the individual's thinking process and the role of mentality in the birth of capitalist modernization rather than the dominance of social structure. In this interpretation, the major breakthrough from traditional societies occurred when Protestantism excluded magic and mythology from religion and reinterpreted the Bible through rational explanation. Until then, the Catholic Church had a negative attitude toward economic activities as a main goal in life. Puritan ethic praised the idea that systematic work, including profit making, had a religious value. This interpretation of religion influenced economic mentality enormously by changing business ethic from being particular to being universal. In traditional societies while profit making from your fellow group members was not allowed, external group members were recognized as fair game for profit. Puritan ethic, on the other hand, brought these two ethics together by considering systematic work and honest profit making as approved religious activities. Thus, with the universalization of the ethical values, the legal system became predictable and economic activities are guaranteed their own semi-autonomous area in society.

Accordingly, unlike Durkheim and Tönnies, Weber takes the individual as the basic unit of analysis rather than the institutions for explaining the formation of values that hold a society together. However, Weber's individual is not an isolated, independently calculating entity as *homo-economicus*, but a socially acting agent. Formation of values is an interactive process where the individual actor takes into account the behavior of the others and is therefore oriented by them during the course of social action. In this sense, individual action is not motivated merely by pursuit of self-interest. Such pursuit is bounded by conventions and should be accepted as legitimate by the other members of the society. Therefore, every social interaction embodies determinable guidelines for behavior to maintain the order in the society. For such an order to be valid or legitimate, these guidelines should be practiced by the actor as "obligatory or exemplary".

In this sense, Weber's ideas about modernity differentiates substantially from Durkheim and Tönnies, who envisage the individual in modern society as an isolated entity acting with self interest as a sole motive. Subsequently, especially Durkheim (2001) emphasizes the role of institutions to regulate individual behavior in order to protect the social order from egoistic anti-social behavior. On the other hand, Weber puts the emphasis on internalization of the conventional values by the individual actor through social interaction in an inter-subjective manner rather than the direction of objective rules by institutions. In other words, internal presumption of business ethic by individuals plays a more important role than institutions' external setting of rules and regulations. In this vein, Weber emphasizes the role of economic opportunity and uncertainty rather than certainty environment set by the institutional order for the development of capitalism through innovations and risk taking. In a nutshell, then, economic action is always oriented to opportunities rather than to certainties.

Thus, alleged thesis that merely Puritan values helped industrial development engenders a dilemma in Weber's thought. While speculation is seen as detrimental to Puritanism, innovation that is at the heart of economic development required speculative risk taking in the long term. Ascetic Protestantism disapproved idle speculation, including scientific ones, encouraged practical and economic use of science and the profit motive promoted economic development through capital accumulation. However, a greater role for development is played for by innovations. Innovations are powered by non-economical motives such as the games and contemplations of

impractical minds, worldly interests and all sorts of fantasies and preoccupation with artistic problems. In other words in order for innovations to occur individuals should transgress rather than conform to the rules.

The problem that how a social system that is founded on individual autonomy and originality (thus differentiation rather than conforming) could stay integrated is further analyzed by the authors such as Riesman, Parsons, and Merton. Riesman (1953) assumed that the way in which society ensures some degree of conformity from the individuals who make it up formed the social character of the individuals in that society. Following this assumption, he classified societies according to their cultural values and how these values induced certain personality characteristics. He concluded that only in societies where 'inner directed' personality is promoted, individual autonomy and social system could stay integrated.

Parsons (1964) analyzed the same subject with respect to the internalization of normative culture in the personality of the individual. Following Cluckhohn, Parsons defined social values as the conceptions of the desirable social system. The institutionalized values of a society thus constitute the conception of the 'good' society. A social system would disintegrate if the values of the individuals forming that society do not match with the social values. In other words, a society needs the commitment of the individuals in order to maintain its integrity. Parsons names the implications of the cultural values for the American social value system as "individualism with commitment" which assumes the desirable society exists in order to facilitate achievement of good life for individuals. Thus, a committed individualist American citizen's goal cannot be self-indulgence or the gratification of his personal wishes but must be achievement in the interests of the society, which would help him maintain the necessary environment to achieve his goals. In other words, while in an individualist society people naturally try to differentiate themselves rather than conform to the society, they should commit to the rules of the game. Thus, Parsons' solution to this dilemma was 'change in continuity'.

Merton (1968) approached the problem that how individual autonomy and social conformity should be integrated from the perspective of development of science. He demonstrated the critical and constructive role of science. On the one hand, scientist challenges established authority in order to innovate; and, on the other, s/he should be a cooperative self-controlled individual prudent in adhering to the discipline imposed by the authoritative norms of the scientific method. These two can only come together in a liberal democratic cultural environment. In democratic systems, established ideas are open to criticism and diverse positions are resolved in and through authoritative consensus.

Similar to Weber, Schumpeter (1942, pp.68-90) also drew attention to the dynamic qualities of the capitalist order, which through 'creative destruction' engenders economic growth, while increasing the welfare of the public. However, in Schumpeter's own words, capitalism's 'balance sheet' should not only consider economic growth; but also the philosophy of national and individual life, viz. the scheme of cultural values: 'Its materialistic individualism, its naïve confidence in progress of a certain type, its actual achievements in the field of pure and applied science, the temper of its artistic creations, may all be traced to the spirit of rationalism that emanates from the businessman's office' (1946, p.194).

In this schema, the entrepreneur and the capitalist enterprise are the propelling force of technological progress and innovation (1942, p.110). As outlined by Schumpeter, entrepreneurship essentially consists in doing things that are not generally done in the course of business routine and one must also distinguish between adaptive and creative responses to given conditions under the influence of external factors (1949, pp.258-9; cf. Kirton, 1989). To a great extent, this attitude is perpetuated by rational thinking. However, rational thinking does not necessarily lead to 'cut-throat' competition or 'blatant' individualism but may incorporate a sense of social commitment given the significant role played by the social structure.

At this juncture, we need to digress further into whether innovation (risk taking) can be possible while committing to the code of the social order. In other words, since innovation may require 'code-breaking' rather than code-conformance, the institutional and social framework of capitalism may be at stake.<sup>2</sup> Two questions may be

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<sup>2</sup> Although believing in the role played by creative destruction, Schumpeter also regarded that this process may lead to the breakdown of the institutional and social framework of capitalism: 'As the capitalist epoch wears on, the individual leadership of the entrepreneur tends to lose in

posed at this instance: 1- is this possible? 2- if it is, is the individual's adherence to societal values or are institutional or contractual checks and balances that matter? On the basis of our above analysis, we take a position in regard to the structure-agency dialectic. In other words, whilst the development of individualism affects the science and art of innovation and entrepreneurship, it is the case that the level of development of the social institutions and contracts determine the framework of the means-utilized and ends-sought. Let us now consider, in turn, weaknesses in regard to these issues. In the former case, i.e. if individualism is not developed, we may hypothesize that no opportunism and, thus, no innovation may be possible. In the latter, on the other hand, while opportunism will be in abundance, its overall effects for the economy and society may not be beneficial, for the agents will, by minimizing their own risks, will adapt opportunities presented by the external environment, notably by the state, toward their own interests. This in turn refers to the weakness of a business system, where myopia will affect business attitudes and strategies with a short-term goal-seeking. In other words, if everybody rocks the boat, it may sink; or if nobody plays by the rules, then there will be no game, and economy and society may disintegrate.

If we assume that the institutional framework and a social code are in place in a social context, one may further explore the possibilities. Here we can use an analogy from Schumpeter that 'competition disciplines before it attacks,' for evaluating the dilemma between social commitment vs. opportunism. Firstly, if the individual is opportunistic and adheres to the rules and values of the community, then there is always the chance that such an attitude will be granted rents for its innovative activities (i.e. play the game according to its rules, and there is every chance that you will become a winner). Secondly, if the individual is opportunistic and disregards social commitment, the individual may be able to gain positive returns in the short-run; in the long-run, on the other hand, such an individual may be penalized with a negative cumulative result or by the collapse of the playground. And, finally, if the individual does not pertain to opportunistic values (committed or not), his or her chances of reaching new frontiers will be limited, hence his/her chances for business success. Therefore, within the context of capitalism, how individuals internalize social values and how social conventions and institutions regulate economic behavior seem to determine their attitude toward business and innovation.

### **3. A Historical Analysis on 'Petty Entrepreneurship': The Case of Turkey**

In Turkey, the 'developmental state' has been actively seeking industrialization and modernization since the turn of the 20<sup>th</sup> century (see Bayar, 1996). To that end, the Kemalist reforms aimed to institute modern individualist values (i.e. rationally thinking or calculating individual) in the economy and society. In this sense, Turkey represents one of the first examples of a state project aiming modernization not only as industrial development but also as the transformation of traditional cultural values (for state projects, see Jessop 1990). At times, since the entrepreneurial class had its limits, the state also actively participated in the economy. However, the Kemalist reforms faced several breaks (e.g. the early death of Kemal Atatürk, WWII, swift passage into a representative democratic system, Turkey's premature participation in such international organizations as NATO, IMF, and WB). Thus, it may be purported that the developmental project may not have realized its potentials. Individualism found its roots; however, when it came to social commitment, blatant opportunism seemed to be dominant, where only 'internal' group members are protected from the detrimental effects.

Especially with the early adaptation of the representative democratic institutions, the developmentalist qualities of the project were regressed and a raw model of 'clientelist' politics shook the institutional and moral infrastructure of the society and economy. As ascertained by Scott (1969), in his remarkable article, democracy would be observed as a tool to achieve merely opportunistic, self-directed, goals of certain groups rather than following a coherent political program at the national level especially in cases where rapid political transformations leave no time for the digestion of democratic values. 'Machine politics' is most likely flourish at a time of rapid socio-economic change when traditional ties have weakened, but have not yet been replaced by new societal ties. In Turkey, political parties acted as mechanisms of capturing state resources and allocating, in a vertical relationship of

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importance and to be increasingly replaced by the mechanized teamwork of specialized employees within large corporations; that the institutions and traditions that sheltered the structure of capitalism tend to wear away; that the capitalist process by its very success tends to raise the economic and political position of groups that are hostile to it; and the capitalist stratum itself, mainly owing to the decay of the bonds of family life that in turn may be traced to the 'rationalizing' influence of the capitalist process, tends to lose some of the grip and part of the scheme of motivation which it formerly had' (1949, p.208)

exchange of office, public projects, money and favors for votes and political support (Sayarı, 1975). Although individuals differed according to how they internalized modernist values -- and it is our thesis that there are major differences among individuals in their attitude to modern values and hence to business and innovation -- the dominant pattern of business attitude and entrepreneurial activity has focused on money-making in the short-term.

The particularistic deployment of mechanisms of subsidies, preferential credits, and new lines of business activity promoted through state purchases, which could under favorable circumstances and in balanced conditions promote a strong productive sector -- as it did in the some late-industrializers like Germany, Japan, South Korea and Taiwan -- resulted in 'petty entrepreneurialism' in Turkey (Buğra 1994, Çakmakçı 1997, Öniş 1996; cf. Amsden 1989, Castells 1992, Evans 1989, Johnson 1982). In other words, entrepreneurship in Turkey took an 'adaptive' meaning with seeking ends in the short-run disregarding calculated risk-taking and with lack of social commitment. Although the large concerns were promoted as the main actors in this scheme, their tendency to focusing on 'new' was limited to diversification out of their main areas of business with opportunities presented by the state. Contrary to the Schumpeterian large-scale firm, the dominant type of economic organization, namely the Turkish holding company, sought ways of administering its relations with the state, even though these may involve such innovative ways as by-passing laws, in contrast to the incessant creation of new product/service, process, organization or market (see Buğra, 1994). Hence, innovation remained a rather dormant subject in the modern economic history of Turkey (see Öner, 2000; Uzun, 2001). And, 'rent-seeking' has become a buzzword, referring to affairs that lack a business perspective that may be morally and economically acceptable to a wider population.

The orientation of business to follow the opportunities created by the state and seek high returns in the short run centered on business values and ethics, which spelled out money making in whatever way and shortest time possible. In other words, business(women) aimed to get rich whatever the societal costs of such behavior may be. The implications of this for capitalist enterprises, however, also turned out to be negative in terms of their approach to business, productivity, specialization, innovation and competitiveness.

#### **4. Research Design**

##### **4.1. Instruments**

Most of the studies exploring the effect of cultural values on economic action are at macro level and directly focus on economic development. Differences among social systems are pictured through typologies rather than dimensions. However, there is a basic problem with such binary analysis of economic development. For, as identified by Schumpeter (1946, p.191), there is not either a purely feudal or purely capitalist society, and the turn from the traditional to the modern cannot be associated with a turn from the 'tradition-bound' individual into the 'alert profit-maker' of the other.

Besides, although typological frames are easier to grasp and good for didactical purposes, they are hard to operationalize and may be problematic for empirical research purposes. Real cases seldom fully correspond to one single ideal type. Real life societies are hybrids, and classifying them into one of the types requires arbitrary, subjective rules rather than statistical criteria. On the other hand, allocating the research units on a set of various continuous dimensions is a more objective method and easier for handling hybrid situations. Cases can be scored unambiguously with a dimensional model and thus making them more convenient for statistical analysis (Hofstede, 1991).

Among such models Hofstede's is widely accepted and is thoroughly used for research purposes. Hofstede (1984 and 1991) has identified four dimensions of work-related value differences believed to have cultural grounds. These dimensions are:

1. Individualism/Collectivism (I/C),
  2. Power distance (PDI),
  3. Masculinity versus Femininity (MAS)
  4. Uncertainty Avoidance (UAI).
- The Individualism end of I/C refers to values in which bonds between individual members are relaxed: everyone is expected to look after his/herself or his/her immediate family. As we go along to the other end of this dimension, social ties between members are strong and the collective groups do not permit individual action. The group, in return for unquestioned loyalty, protects its members.
  - PDI considers the extent to which the less powerful members of institutions and organization are ready to accept that power is unequally distributed.
  - MAS is related to alleged masculine values such as assertiveness, competitiveness and craving for material success, and alleged feminine values such as modesty, tenderness and being concerned with quality of life rather than with material success.
  - UAI measures individual's tolerance for ambiguity and risk taking.

Suerdem and Karabatı (2002) discuss that although these dimensions are neat and sensible tools for identifying cultural value differences between countries or social systems, they are not suitable for investigating individual differences in a single society. Hofstede assumes countries as integrated social systems while they put a special emphasis on the individual's thinking process and the role of mentality on certain economic behaviors and their interaction with the social structure. A culture specific instrument that is more open to measurement of individual differences in the same culture would be more convenient to operationalize individual behaviors in the social structure. In order to investigate work value dimensions of Turkish entrepreneurs they suggest an seven dimensional model that was derived from factor analysis of Hofstede items as well as items from some other social psychological inventories measuring values such as: Machiavellism, Trust, Locus of Control, Belief in Human Nature and Work Centrality. Derived dimensions are P factor, Puritan values, Cynical Fatalism, Individual Achievement, Laziness, Egalitarianism, and Trust.

For our research purposes, these dimensions were reduced to three dimensions, the main reason being merely technical. Only the P factor reproduced a reliable scale (cronbach's alpha =0.61) with our data. Alpha coefficients for all other scales were lower than 0.50. As these scales are new and not sufficiently tested, we did not see any problems for making some modifications to them. P factor is left as it is since it reproduced an acceptable reliability coefficient. Egalitarianism and Puritan values items were combined to construct the Classist Power Distance dimension (alpha =0.65). Individual Achievement, Laziness, Cynical Fatalism and Trust items were combined to form the Social Commitment versus Opportunistic Individualism dimension (alpha =0.77).

- The P factor, as could be derived from its name, is constructed from Personal dignity (*'simpatia'*), Personalism, Particularism, and Paternalism. It includes many elements of *Gemeinschaft* (community)-*Gessellschaft* (society) dimension in terms of social interactions. Firstly, Triandis *et al* (1984) describe *simpatia* as positive social behavior that emphasizes empathy, respect towards others, and harmony -- resembling Hofstede's Femininity dimension. Secondly, although it contains an element of solidarity, however; expression of solidarity and tenderness is personal and particular, and, thus, limited to the immediate community members. The members of the outsider groups are treated in a hostile manner even within the same society. Social relations are based on making exceptions grounded on individual circumstances and the obligations of friendship rather than bureaucratic rules, economic rationales and abstract societal codes. Interpersonal relationships imply a tendency for positive emotions to be expressed in positive situations and negative emotions to be de-emphasized in negative situations. Although expressed as extreme emotionality, it incorporates latent utilitarian aspects to relationships (i.e., networking, climbing the social ladder and forming economically beneficial friendships). Under such circumstances, the individual decision-making process is based on emotions or intuitions intermingled with calculations considering utilitarian alternatives. Finally, the P dimension also brings together Collectivism and Femininity elements in a paternalistic manner. Social groups act as extended families where the benevolent father as 'grand patron' protects the interests of members of the inner-group against the wider

society, leads them, and expects unconditioned loyalty to the inner group. Considered from an organizational point of view, the same principle applies: the insider group is complemented by the boss' external network, which specifies the way of doing work. The boss is a leader, articulating elements of legal-rational, traditional and charismatic power (see below for their definition), giving clear briefings to the clique and people respect what s/he inspects.

- Like Hofstede's PDI refers to the extent to which individuals in a society accepts that power in institutions and organizations is distributed equally, Classism refers to acceptance of rigidity of social divisions and the distance between people from different strata. However, while the former deals with this at the organizational level, the latter considers the societal level. Although it is difficult to make definite distinctions, classist power distance is distinguished from PDI according to how hierarchies are justified. While classism perceives hierarchies as a result of natural or divine order, PDI receives them according to their functional importance (within the organization). In his acknowledged typology, Weber distinguishes three forms of authority: traditional, charismatic and legal-rational authority. While charismatic authority rests on the personal attractiveness of leaders and the traditional authority rests on the traditional rights of dominant groups such as aristocracy or landowners, legal-rational authority rests on impersonal legal forms. Officials with the legal-rational authority do not own their positions personally and are compensated by salary. Personal property and position is clearly separated from official property and position, and working place from living quarters. Such authority differs from other forms in terms of its impersonality. Hofstede's PDI does not take into account these different forms but simply measure the acceptance of authority for all of its forms. So, by also bringing in the societal dimension via classism, we believe that a better explanation of power differentiation can be made at the level of the organization or social group through exploring not only the legal-rational but also traditional and charismatic bases of power.
- Social Commitment versus Opportunistic Individualism refers to different forms of individualism. As previously mentioned in the previous sections, individualistic pursuit of self-interest should be integrated to social values for the sake of social cohesion. Only individualism with commitment could uphold a capitalist society founded on individualistic values. However, in the Turkish case, for the above-mentioned reasons, individualism has never been an integrated value system but has merely been articulated to the traditional value systems. The rapid socio-economic change during the cold-war era led to "individualism without commitment" as the main business value in Turkey. On the other hand, the values created by the previous efforts to establish the rationally thinking modern individual by Kemalist reforms created a particular form of individualism with commitment in Turkey. As education was glorified by Turkish modernization project as the triggering force of development, it was perceived as the only way of expressing individual achievement. The socially committed individual in this framework is distinguished by his dedication to the society through years of involvement in education and career development. S/he is perceived to be the responsible person, who dedicates him/herself to the organization in which s/he is working in particular and creates value for the society in general. In fact, this type is the main target of a project of modernization, as internalization of values by such individuals affects to a great extent the achievements in the economy for the society. However, through major social and economic transformations in the past century, this sort of individualism has lost its functionality and has turned into commitment without individualism. Especially, blatant opportunistic individualism caused educated individuals to identify entrepreneurship with opportunism, leading them to have a negative attitude towards business life. The other side of this dimension, the opportunist individual, may be described as a short-termist agent with the lack of dedication to social values and ethical norms. His/her only dedication is to profit-making without a serious considerations of the consequences of activities involved in. In this framework, the immediate community (internal group) may receive a favorable treatment; the interests of the wider society or national objectives, however, can be sacrificed for self-indulgence or are never considered.
- In order to operationalize innovativeness we used the scales developed by Craig and Ginter (1975) via a factor analysis of Leavitt and Walton's (1975) innovativeness items. Assuming innovativeness as a personality trait underlying the adoption of innovations, the scale was constructed by various items measuring innovative personality. After factor analyzing these items, they found seven major personality factors that affect innovativeness. These are: new is wasteful; social desirability; novelty seeking; risk aversion; satisfaction with *status quo*; style consciousness; and, other directedness. The last two are omitted for our research purposes. Total scores of these facets gave the innovativeness score. Innovators are



described as individuals open to new experiences and novel stimuli; as possessing the ability to transform information about new concepts, ideas, products or services for their own use; and as having a low threshold for recognizing the potential application of new ideas.

#### 4.2. Sample

Our study is based on survey data from 150 executive, middle and owner managers. Respondents comprise professional managers from Ericsson, Pirelli, MBA students from Bilgi University and owner managers of small and medium enterprises located in an area where mostly textile and clothing firms are clustered. Interviews were conducted face-to-face with the respondents and averaged about twenty minutes.

#### 4.3. Statistical Analyses

As our main research objective is to see how cultural values affect innovativeness, linear regression analyses were conducted to unveil the relations between personality traits underlying the adoption of innovations and different cultural value characteristics. Besides cultural values, demographic variables such as age, gender and education were included in the analyses as control variables. Initially, we took total innovativeness as the dependent variable and the cultural value traits (P factor, Power Distance, and Commitment versus Opportunism) and demographic variables as the independent variables. Finally, each innovativeness facet is tested as dependent variables.

#### 4.4. Findings

**Table: Linear Regression Coefficients**

	New is Wasteful	Social Desirability	Novelty Seeking	Risk Aversion	Status Quo	INN
Age	.047**	-.03	-.03**	.024	.001	-.212**
Education	.07	-.673*	.234*	.094	-.248*	1.84*
Gender	-.001	-.150	.139	.025	.055	.437
Commitment	-.02	.084*	-.028*	.03	.026*	-.221*
P Factor	.058*	.01	.01	.002	.054**	-.164
Power Distance	.08*	.1	-.008	.04	.01	-.214

INN: Total innovation score including novelty seeking, new is not wasteful, challenging the *status quo*, no social desirability and risk taking

\* p<0.05

\*\* p<0.01

In parallel to our theoretical arguments, the results of regression analyses indicated significant associations between innovativeness and cultural traits. Especially, our argument that opportunistic individualism has an essential impact on innovativeness appears to be confirmed by our data. Commitment versus opportunistic individualism has significant beta coefficients on social desirability, novelty seeking, satisfaction with the *status quo* and total innovativeness. As commitment increases, individuals want to be more socially desirable, and tend to be more satisfied with the *status quo*. On the other hand, they tend to be less novelty seekers, and, hence, less innovative. These findings confirm our hypothesis that opportunistic individuals tend to be more innovative. In other words, as we have seen in our theoretical analysis above, opportunism (or seeking the uncertain) is what is behind innovation. We argued that a social system founded on opportunistic individualism, on the other hand, could only survive if the individuals acting in that system are also committed to the rules of the game. The major rule of this game is that there is no return without taking risk. Risk increases as the return increases. In the Turkish context, however, this manifests the dilemma of the articulation of opportunism and social commitment. Thus, the less socially committed the individual is, the more his tendency to challenge the *status quo* and look for new ways. To the extent that such individuals could bend the rules and norms of the society, they perceive that they can become innovative. However,

as our data did not produce a statistically significant result, we may state that risk aversion is not dependent on cultural value differences in the Turkish case. An opportunistic individual is as risk averse as a committed individual. Thus, challenging the *status quo* and novelty seeking in Turkey manifests itself as finding 'new guaranteed less risk-more return opportunities' rather than focusing on new markets, products, processes and technologies. As such opportunities could only be guaranteed by political protection, economic actors prefer to invest in politics rather than technological innovations. The resultant situation, however, is that the economy and society are subjected to serious shocks of short-termist profit seeking by economic agents.

Another interesting finding is that as the P factor increases, individuals perceive the new as more wasteful and are more satisfied with the *status quo*. Particularism, personalism, and paternalism are clearly in the way of seeking new. Especially the effect of particularism, i.e. doing business through internal and external networks of particular people, seem to negatively affect organizations and the society in terms of being innovative. Having particular ties, avoidance of conflict and negative emotions with internal group members, emotional and intuitive decision-making habits and the role played by 'the benevolent father' all seem to favor *status quo* at the expense of novelty seeking.

Power distance also perpetuates this sort of attitude via its overall effect on creativity and highly educated new recruits' perception in regard to their potential contribution and promotion (and climbing the social ladder). For not your qualifications that matter at this instance but having a particular relationship with an important public or private figure will affect your career and business and social opportunities.

As education increases, social desirability and satisfaction with the *status quo* decreases and novelty seeking increases. As we have mentioned before, education was considered as the only way of legitimate individual achievement in Turkey. However, as Turkish value system faced overwhelming transformations after 1980 following the rapid liberalization policies, education lost its prime position in the Turkish cultural value system and gave way to opportunistic individualism. Consequently, disappointed educated individuals lost their commitment to the system and either became dogmatic opponents or opportunistic individuals. In both cases and in different ways, they are not satisfied with the *status quo*, they are keen to express their ideas without being afraid of becoming socially undesirable, while being novelty seekers and innovative.

Naturally, as individuals get older, their tendency to seek new decreases. Novelty seekers are generally younger and opportunism naturally supports seeking novel ways of doing things or entertaining new ideas. Our survey indicates that there are no significant relations between gender and innovation.

## **5. In Place of Conclusion: Discussion on Research Agenda**

In this study we concentrated on the question of how innovation is embedded within cultural values. In doing so, we aimed to show the significance of cultural values internalized by individuals for innovation and business attitudes. In a structure-agency domain, we contended that not only regulation through institutions and social norms but also the way economic agents comprehend and operate with 'modern' values determine the scope of business attitude that permeates economy and society. In the Turkish context, the blend of modern (rationalistic) values with traditional ones created a dilemma between social commitment and blatant opportunism, leading, in time, to the dominance of short-term profit making in the economy. Short-term profit seeking by individuals has lacked the dimension of innovation that incorporated or respected social commitment. In other words, opportunist innovation took place at the expense of societal rules and norms as agents tended to bend, bypass or ignore them. This is one of the key factors that threaten the integrity of the social system as well as the inability of the economy to reproduce sustained growth. The recurring costs of the outlined behavior for the society manifest themselves in ongoing economic crises, and booms and dooms.

Turkey's 'Transition to a Strong Economy' program, which is part of the Letter of Intent submitted to the International Monetary Fund for the receipt of economic aid after the serious shocks in November 2000 and February 2001, also addresses the difficulties identified by this paper:

*To become a strong and respectable state in the 21<sup>st</sup> century, the importance of a productive and strong private sector; and for the healthy operation of the market economy, the necessity of a state which can mobilise social support and undertake legal supervision are very well understood. A strong economy will be created by a private sector working in a confident environment, an effective state and wide social consensus. Economic agents should be able to divert their energy away from rent-seeking from the state into production, exporting, technological development and creating employment. Competition should be fair. The spheres of politics and the economy should respect each other through a certain separation between the two. Our aspiration, our goal and what is deserved by Turkey is exactly this (source: <http://www.ntvmsnbc.com/news/82941.asp>; 19 June 2001; emphasis mine).*

However, a lot remains to be done to achieve the desired results, particularly given that it is not only the institutional and legal framework that needs to be taken into consideration. Individuals' perception over economic and political affairs needs to change. This is a much deeper and, hence, more difficult issue, as the economic agents, in particular, will be resistant to change their business attitudes that they benefited for around a century.

Finally, this study must be treated as an initial survey of exploring the relationship between innovation and social (cultural) values. There are complementary phases of research that we think will strengthen the basis of our findings. One such survey will focus on the relationship between individual with commitment and education, which was the basic trait that the modernization project aimed to institute in the Turkish society. A second survey must extend this one so that two or three distinct groups of professionals, SME owner-entrepreneurs and small-scale merchants can be compared and contrasted to each other. 📖

### **Appendix: Research Instruments**

#### **The P Factor (5 Factor Likert Scale)**

1. Business is a game where everything is permissible excluding your immediate friends, family and peers.
2. If an individual's work life requires making compromises, his/her family must respect this.
3. I would like to in a work environment where minimum tension, conflict and stress prevails rather than earning more material rewards.
4. An individual with no patience cannot succeed in business life.
5. Rules as well as habits play a significant role in doing business\*.
6. It is possible to categorize people as good or bad.
7. I can make a judgment about a person's character after a short chat with him or her.
8. Intuition plays a bigger role rather than numbers and calculations in making decisions.
9. The best way to manage people is to tell them what they want to hear.
10. One must prefer criticizing someone face-to-face when alone instead of doing that in front of a group of people or fellow employees Power Distance (5 Factor Likert Scale).
11. All business activities must follow written rules\*.
12. Competition among fellow employees will not harm the business.
13. A manager who is consulting his/her subordinates while doing business is not a good manager.
14. Being a senior translates into life as having precedence over others.
15. Success is a result of hard work and has nothing to do with luck Opportunism vs. Individual with Commitment (5 Factor Likert Scale).
16. As a last resort, bribing is not wrong\*.
17. Misfortunes that individuals face are a result of their own faults.
18. The way a person makes money show his/her character.
19. Everybody receives the respect they deserve in the long-term.
20. Open discussion of problems does not affect the work environment.
21. Lying cannot be justified.
22. Most people would cheat their way into the cinema if they knew that they would not be spotted\*.
23. Most people will lie if they receive an economic benefit in return\*.
24. By nature human beings do not like to work\*.
25. I would not work, if I did not need the money\*.
26. People that achieved individual successes will not find it difficult to get promoted in business life.
27. (\*) signifies reverse items.

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**Notes**